

PROPOSED RESOLUTION

AGENDA ID #14661

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

DIVISION OF WATER AND AUDITS
Water and Sewer Advisory Branch

RESOLUTION W-5084
March 17, 2016

RESOLUTION

(RES. W-5085) RIO PLAZA WATER COMPANY. ORDER
AUTHORIZING A SURCHARGE OF \$4.74 PER MONTH PER
CUSTOMER, FOR A PERIOD OF ELEVEN MONTHS, TO
RECOVER THE BALANCE ON THE PURCHASED POWER
AND GROUNDWATER, CONTRACT WORK, AND WATER
TESTING MEMORANDUM ACCOUNTS.

SUMMARY

By Advice Letter 64, filed on November 15, 2015, Rio Plaza Water Company, Inc., a Class C water utility, seeks to recover increased operational costs as recorded in its Purchased Power and Groundwater, Contract Work, and Water Testing memorandum accounts. Rio Plaza seeks recovery in the amount of \$27,116, or 7.8% of the utility's total revenue requirement.

This resolution authorizes a surcharge of \$4.74 per month per customer, for a period of 11 months, for Rio Plaza Water Company to recover its increased operational costs incurred in its four memorandum accounts mentioned above.

BACKGROUND

Rio Plaza Water Company (Rio Plaza) has requested authority under General Order (G.O.) 96-B and Section 454 of the Public Utilities Code to increase rates to recover the increased operational costs incurred in its Purchased Power and Groundwater, Contract Work, and Water Testing Memorandum Accounts (memo accounts).

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Rio Plaza's present rates became effective on July 28, 2015, pursuant to G.O. 96-B, Section 7.3.1, Balancing Account Amortization, by approval of Advice Letter (AL) 63, which authorized Rio Plaza to recover an increase of \$9,312 or 2.7%, from its User Fees Balancing Account. Rio Plaza's last general rate increase became effective on October 1, 2007, pursuant to Resolution W-4661, which authorized a general rate increase of \$65,411, or 30.3%, and a rate of margin of 23%.

Resolution W-4467, effective April 22, 2004, authorized Rio Plaza to establish three of these memo accounts, including the following: purchased power, purchased groundwater and contract work. Resolution W-4698, effective July 31, 2008, authorized Rio Plaza to establish the water testing memorandum account.

Rio Plaza incurred the following operational costs in each of these four memo accounts:

1. Purchased Power, in the amount of \$1,755 for the years 2012 through 2014.
2. Purchased Groundwater, in the amount of \$10,000 in the year 2013.
3. Contract Work, in the amount of \$1,755 for the years 2012 through 2014.
4. Water Testing, in the amount of \$2,963 for the years 2012 through 2014.

These amounts in addition to the \$1,050 in administrative costs total the \$27,116 Rio Plaza is seeking to recover as a surcharge of \$4.74 per month per customer, for a period of 11 months. Rio Plaza requests a recovery period of 11 months to balance its financial requirements with the rate concerns of its customers.

NOTICE AND PROTESTS

AL 64 was served on November 15, 2015, in accordance with the provisions of G.O. 96-B. A notice of the proposed rate increase was mailed to all Rio Plaza customers on November 25, 2015.

No comments were received by the Division of Water and Audits (DWA) regarding the surcharge.

DISCUSSION

By AL 64, filed on November 15, 2015, Rio Plaza seeks to recover the increased operational costs related to purchased power and groundwater, contract work, and water testing incurred in each of its memorandum accounts. The increase requested herein is for the purpose of recovering through a surcharge, on a dollar-for-dollar basis,

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the lost revenues and increased operational costs which Rio Plaza recorded and tracked in its each memorandum account respectively.

When a utility seeks recovery of costs recorded in a memorandum account, it has the burden to meet the following standards:

- 1) It acted prudently when it incurred these costs;
- 2) the utility paid reasonable amounts for these costs;
- 3) the memorandum account costs are not recovered by other authorized rates; and
- 4) it is appropriate for ratepayers to pay for these costs in addition to otherwise authorized rates.

Based on the events discussed above, the Division of Water and Audits (DWA) finds that Rio Plaza acted prudently in incurring the increased operational costs recorded in each of its four memo accounts. The costs incurred in these memo accounts include the expenses resulting from pumping water in order to facilitate delivery of water to its service area.

With respect to the 2nd standard, DWA reviewed the increased operational costs for each of the four memorandum accounts for Rio Plaza, recorded in each of its accounts, which Rio Plaza provided to Staff, and has found these expenditures to be prudent and reasonable.

With respect to the 3rd standard discussed above, DWA reviewed Rio Plaza's last GRC, authorized on September 20, 2007, (See Res. W-4661), and has ascertained that Rio Plaza could not have anticipated the increased operational costs incurred for purchased power and groundwater, contract work, and water testing recorded in its memorandum accounts. The expenditures accrued in these memorandum accounts could not have been included in the utility's previously authorized rates. Therefore, Rio Plaza did not receive revenues for the recently incurred expenses accrued in these memorandum accounts. Accordingly, recovering these expenses now would not amount to double recovery and is reasonable.

DWA finds it appropriate for ratepayers to pay for these costs, since these costs were accrued to provide ratepayers with water service and keep the utility running, thereby ensuring that the utility has a reliable and sufficient water supply, which is beneficial to its customers. Accordingly, it is appropriate for ratepayers to pay for these category of

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costs in addition to otherwise authorized rates and, therefore, Rio Plaza meets the 4th standard discussed above.

Since Rio Plaza meets each of the standards as discussed above, DWA finds it reasonable to allow Rio Plaza to recover the amount of \$27,116 from each of its memorandum accounts including the administrative costs of \$1,050. Rio Plaza should be permitted to transfer the amounts in its memorandum accounts to a balancing account for recovery. Rio Plaza should be permitted to recover the amounts in the balancing account by imposing a surcharge of \$4.74 per customer, for a period of 11 months. Rio Plaza should be granted a recovery period of 11 months to balance its financial requirements with the rate concerns of its customers. This surcharge will not result in a rate of return greater than the last authorized for Rio Plaza.

COMMENTS

This is an uncontested matter that pertains solely to a water corporation. Accordingly, pursuant to Public Utilities Code Section 311(g)(3), this resolution is exempt from the 30-day period for public review and comment.

SAFETY

The resolution provides adequate revenues to the utility so that it can provide safe and reliable water service to its customers. The water served by the utility meets all applicable primary water quality standards set forth by the State Water Resources Control Board.

COMPLIANCE

There are no outstanding Commission orders requiring system improvements. The utility has been filing annual reports as required.

FINDINGS

1. By Advice Letter (AL) 64-W, filed on November 25, 2015, Rio Plaza seeks to recover the increased operational costs which Rio Plaza recorded in its Purchased Power and Groundwater, Contract Work, and Water Testing Memorandum Accounts (memo accounts) from the years 2012 through 2014.

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2. Resolution W-4467, effective April 22, 2004, authorized Rio Plaza to establish three of these memo accounts, including the following: purchased power, purchased groundwater and contract work. Resolution W-4698, effective July 31, 2008, authorized Rio Plaza to establish the water testing memorandum account.
3. Rio Plaza incurred and recorded the following amounts for the years 2012 to 2014: \$1,755 in the Purchased Power Memorandum Account; \$1,755 in the Contract Work Memorandum Account and \$2,963 in the Water Testing Memorandum Account. In addition, Rio Plaza incurred \$10,000 in the Purchased Groundwater Memorandum Account for the year 2013. These amounts in addition to the \$1,050 in administrative costs total the \$27,116 Rio Plaza is seeking to recover.
4. The expenses recorded in Rio Plaza's memorandum accounts of \$27,116 are prudent, reasonable, and not covered by other authorized rates. Also, it is appropriate for rate payers to pay for these costs in addition to otherwise authorized rates.
5. Rio Plaza could not have reasonably anticipated these expenses in the Purchased Power and Groundwater, Contract Work, and Water Testing Memorandum Accounts in its present rates, which became effective on July 28, 2015 for Rio Plaza respectively.
6. It is appropriate for ratepayers to pay for these costs, since these costs were accrued to provide water service to ratepayers, which is beneficial to its customers.
7. AL 64 was served on November 15, 2015, in accordance with the provisions of G.O. 96-B. A notice of the proposed rate increase was mailed to all Rio Plaza customers on November 25, 2015. No protests were received.
8. Rio Plaza should be permitted to transfer the amounts recorded in its Purchased Power and Groundwater, Contract Work, and Water Testing Memorandum Accounts to a balancing account for recovery.
9. Rio Plaza should be permitted to recover the amounts in the balancing account by imposing a surcharge of \$ 4.74 per month per customer, for a period of 11 months.

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10. This surcharge will not result in a rate of return greater than the last authorized for Rio Plaza.

THEREFORE IT IS ORDERED THAT:

1. Rio Plaza Water Company is permitted to transfer the amounts of \$1,755 in its Purchased Power Memorandum Account, \$10,000 in its Purchased Groundwater Memorandum Account, \$1,755 in its Contract Work Memorandum Account, \$2,963 in its Water Testing Memorandum Account, and \$1,050 in administrative costs to a balancing account for recovery over a period of 11 months. Accrued interest at the 90-day commercial paper rate may be added on the uncollected amounts from the effective date of this Resolution.
2. Rio Plaza Water Company is permitted to recover the amounts in the balancing account reflected in Ordering Paragraph 1 above by imposing a surcharge of \$4.74 per month per customer, for a period of 11 months.
3. Rio Plaza Water Company shall track the revenue from the \$4.74 surcharge per month per customer, for a period of 11 months, reflected in Ordering Paragraph 1 above in a balancing account and account for any over or under collected revenues in its next general rate case.

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4. Authority is granted under Public Utilities Code Section 454 to Rio Plaza Water Company, to file a supplemental advice letter with the revised surcharge rate schedules and concurrently cancel its presently effective Schedules No. 1 General Metered Service. The effective date of the revised rate schedules shall be five days after the date of filing.
5. This resolution is effective today.

I certify that the foregoing was duly introduced, passed, and adopted at a conference of the Public Utilities Commission of the State of California held on March 17, 2016 the following Commissioners voting favorably thereon:

TIMOTHY J. SULLIVAN
Executive Director

**RIO PLAZA WATER COMPANY
ADVICE LETTER 64
SERVICE LIST**

County of Ventura

Attn: David Sasek
800 South Victoria
Ventura, CA 93009

Rio Plaza Water Company, Inc.

Attn: John Chris Nickel
8698 Roseland Ave RR#1
Moorpark, CA 93021

Mutual Water Company of Vineyard Avenue Estates

Attn: James Burke
PO Box 5065
Oxnard, CA 93031